

18th August 1925]

APPENDIX VI.

[Vide item IX (1) 'Communications to the Council' on page 69 supra].

G.O. No. 612, Development, dated 24th April 1925.

READ—the following papers:—

I

G.O. No. 222, Development, dated 11th February 1925.

II

Letter from H. TIREMAN, Esq., Acting Chief Conservator of Forests, Madras, to the Secretary to Government, Development Department (through the Accountant-General, Madras), dated the 14th January 1925, Ref. No. 8373/24-2.

[Russellkonda Saw Mill—Accounts and audit report for the quarter ending 30th September 1924.]

I forward herewith a copy of Messrs. Fraser & Ross, report and accounts relating to the Russellkonda Saw Mill for the quarter ending 30th September 1924.

2. The only point which calls for remarks is whether the commission payable to Messrs. Parry & Co. is to be calculated on the "sale price obtained" or on the "sale price realized". Messrs. Parry & Co., to whom I referred the matter, state that the commission payable to them is calculated on the sale price realized f.o.r. Berhampur less the selling expenses, i.e., commissions and brokerage.

ENCLOSURES

(1)

RUSSELLKONDA SAW MILL.

Report and accounts for the quarter ending 30th September 1924.

1. *Fixed capital expenditure—(a) Buildings.*—Details of additions, amounting to Rs. 10,610-8-3, are shown per contra in the capital account.

(b) *Machinery.*—The demurrage charge of Rs. 486-6-0 included in original cost of the machinery has been deducted as the amount was refunded to Government partly in August 1922 and partly in January 1923 as per the Chief Conservator's letter to us dated 25th September 1924.

2. Stocks have been valued on the same basis as at 30th June 1924.

3. *Sundry debtors.*—Doubtful debts, totalling Rs. 3,954-7-5, will be written off in the final accounts for the year ending 31st March 1925 unless previously realized.

The agreement between the Government and Messrs. Parry & Co. provides for payment of commission on sales at "five per cent on the sale price obtained". This is not necessarily the same as the sale price realized.

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At present commission is debited to profit and loss account on all sales and credited to a reserve account and Messrs. Parry & Co. only draw such commission on the actual realization of sale-proceeds. The figure of Rs. 1,757-0-11 shown under liabilities for other finance in the balance sheet includes Rs. 1,235-11-1 due to Messrs. Parry & Co. on account of commission not drawn which is a little more than 5 per cent on the total sundry debtors Rs. 24,605-0-3.

We shall be glad to hear that Government and Messrs. Parry & Co. are agreed as to the figure on which commission is definitely payable.

4. *Cash and other balances*.—A pass book has been issued by the treasury and the balance as per that book has been reconciled with the mill books as at the date of the balance sheet.

5. *Capital*.—The following is a reconciliation of the balance to the credit of capital account as per the mill books with the balance as shown by the Accountant-General in his letter to us No. H.A. Comml. 12-442, dated 12th November 1924:—

	RS.	A.	P.	RS.	A.	P.
Balance as per Accountant-General's letter.	..			4,51,449	13	1
Less—Cost of sinking a well included in the mill books in the month of October 1924.	2,797	8	6	..		
Refund of demurrage on machinery.	486	6	0	..		
Loss up to 31st March 1924	59,075	6	10	..		
				62,359	5	4
Balance as per balance sheet	..			3,92,090	7	9

The loss up to 31st March 1924 as per the previous balance sheet was Rs. 59,195-3-10 from which has been deducted depreciation and interest on the demurrage charge of Rs. 486-8-0 charged to the profit and loss accounts to that date.

6. *Profit and loss account*.—The output has been increased to 16,573.48 c.ft. from 6,791.33 c.ft. in the previous quarter, thereby reducing the direct cost of production from Rs. 1-7-11 per c.ft. to Rs. 1-2-9 per c.ft. Loss on conversion from log to sawn timber was 63.4 per cent as against 58.3 per cent for the previous quarter.

Interest and depreciation have been charged at the rates adopted for the year ending 31st March 1924, but they will be subject to final adjustment at the end of the financial year.

The accounts shew a profit of Rs. 1,914-8-10 against a loss of Rs. 2,075-12-5 for the previous quarter. The profit is mainly due to a sum of Rs. 3,899-9-5 realized by sales of rejections and firewood and to the reduced cost of production, but a comparison of the results with those of the previous quarter is not possible due to the fact that for 45 days during the three months to 30th June the mill was not working, while standing charges were not affected, and to the fact that there was a great difference in sales during the two periods.

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APPENDIX

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(2)
Balance Sheet as at 30th September 1924.

CAPITAL AND LIABILITIES.				PROPERTY AND ASSETS.				
ES.	A.	P.	ES.	A.	P.	ES.	A.	P.
Capital—				Fixed Capital Expenditure—				
Government of Madras				Buildings—				
Forest Department—				At cost as per balance sheet as at				
Balance as per balance sheet as at 30th June 1924 ..				31st March 1924 ..				
Add—Cost of Berham-pur Depot ..				6 0 0				
Cost of Lorry shed ..				1,34,142 5 2				
Cost of supervision char-ges on fixing barbed wire ..				1,34,136 5 2				
..				10,510 8 3				
..				1,44,746 13 5				
..				8,422 1 1				
..				1,86,324 12 4				
..				2,42,672 8 10				
..				486 6 0				
..				2,42,186 2 10				
..				32,113 1 6				
..				2,10,073 1 4				
..				3,400 0 0				
..				5,427 7 7				
..				3,55,225 6 3				
..				Carried over ..				
..				210,073 1 4				
..				3,400 0 0				
..				5,427 7 7				
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..				210,073 1 4				
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..				5,427 7 7				
..								

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Balance Sheet as at 30th September 1924—cont.

CAPITAL AND LIABILITIES—cont.		PROPERTY AND ASSETS—cont.	
RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
Brought forward ..	4,60,130 13 11	Brought forward ..	3,55,225 5 3
For 44,850 cubic feet at 4 annas per cubic foot.	11,212 8 0	Motor and other conveyances—	16,579 14 7
For 42 cubic feet at 3 annas per cubic foot.	7 14 0	At cost less depreciation
	11,220 6 0	Stores and spare gear—	4,245 6 8
	43,362 6 0	Machinery spare parts ..	6,686 11 4
Less—Payments during quarter ..	14,921 0 0	Tools and stores in stock.	349 6 10
	28,441 6 0	Tools in use
Reserve for bad and doubtful debts	..	Stock—	57,894 10 5
Liabilities—	..	32,601-17 c.ft. out Timber.	..
For expenses ..	431 5 8	242 c.ft. logs ..	57 14 0
For Customers Credit Balances ..	1,223 8 0	Transport charges to mill.	2 8 4
For other finance ..	1,767 0 11	Sundry debits—	60 6 4
	3,411 13 9	Due for timber sold considered good ..	20,650 8 10
	..	Due for timber sold considered doubtful.	3,934 7 5
	..	Advances and deposits ..	24,605 0 3
	..	Cash and other balances—	190 14 8
	..	Cash with Treasury
	..	On hand ..	29,694 1 10
	..	Profit and Loss account—	246 8 2
	..	Loss for the quarter to 30th June 1924.	2,076 12 5
	..	Less profit for the quarter as per profit and loss account.	1,914 8 10
	..		161 3 7
Total ..	4,95,938 9 11	Total ..	4,95,938 9 11

We report that we have examined and audited the balance sheet of the Russellkonda Saw Mills, as at 30th September 1924, and above set forth and that we have received all the information and explanations we have required; we certify that, in our opinion, such balance sheet exhibits a true and correct view of the state of the affairs of the mills as at that date according to the best of our information and the explanations given to us and as shown by the books of the mills.

MADRAS,
27th November 1924.

FRASER & ROSS,
*Chartered Accountants, Commercial Accountants and
Auditors to the Government of Madras.*

③

Profit and Loss Account for the quarter ending 30th September 1924.

	Rs. A. P.	Rs. A. P.	Rs. A. P.
To Stock—			
27,898-88 c.ft. timber
Purchases—			
44,850 c.ft. logs at 4 annas per c.ft.	..	11,212 8 0	
42 c.ft. logs at 3 annas per c.ft.	..	7 14 0	
641 c.ft. logs stock on 30th June 1924.	..	160 4 0	
Less—			
45,533 c.ft.	..	11,380 10 0	
242 c.ft. logs nrent in stock	..	57 14 0	
45,291 c.ft. logs worked	..	11,322 12 0	
To Cart-hire on logs	..	471 12 6	
" Machinery running costs	..	2,139 13 9	
" General stores	..	737 5 0	
" Mill establishment	..	4,501 5 7	
" Boiler fuel	..	324 0 0	
Cost of 16,573-48 c.ft. of sawn timber at Rs. 1-2-9 per c.ft.	..	19,437 0 10	
28,717-52 c.ft. loss on conversion.	..	59,085 8 11	
452-91 c.ft.	..	Carried over ..	97,292 12 4

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Profit and Loss Account for the quarter ending 30th September 1924—cont.

	RS. A. P.	RS. A. P.	RS. A. P.
	Brought forward ..	Brought forward ..	Brought forward ..
To Cart-bire and loading charges ..	69,085 8 11		97,292 12 4
" Cart-bire to Berhampur ..	287 10 3		
" Charges, Calcutta ..	4,497 5 6		
" Berhampur Depot expenses ..	290 8 8		
" Managing Agents' fees ..	789 18 11		
" Office establishment ..	1,050 0 0		
" Stationery and Advertisement ..	3,658 1 5		
" Postage and Telegrams ..	200 0 9		
" Travelling expenses ..	114 0 6		
" General expenses ..	270 12 9		
" Commission on sales ..	53 4 2		
" Repairs to buildings ..	1,954 9 3		
" Motor-car expenses ..	2 13 9		
" Depreciation on—	216 10 7		
Buildings ..	907 12 4		
Machinery ..	8,216 13 9		
Furniture ..	78 14 2		
Motor, etc. ..	1,038 10 11		
Tram line ..	200 0 0		
Interest on capital ..	5,439 3 2		
Audit fees and expenses reserved ..	6,818 11 10		
Net profit for the quarter ..	700 0 0		
	1,914 8 10		
	97,292 12 4		

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III

Endorsement No. 160-I/25-1, Development, dated 17th February 1925.

Referred to the Accountant-General for favour of very early remarks.

(By order)

G. H. COOKE,
Under Secretary to Government.

To the Accountant-General.

IV

Letter from H. TIREMAN, Esq., Acting Chief Conservator of Forests, to the Secretary to Government, Development Department, dated the 21st March 1925, Mis. No. 86.

[*Reference.*—Paragraph 4 of G.O. No. 222, Development, dated 11th February 1925.]

The commission payable to Messrs. Parry & Co. is calculated on the sale prices actually realized as already reported in my Reference No 8373/24-2, dated 14th January 1925.

V

Letter from J. F. MITCHELL, Esq., I.C.S., Accountant-General, Madras, to the Secretary to Government, Development Department, dated the 27th February 1925, No. H. A. Comm. 12-583.

In returning herewith the Auditor's Report on the accounts of the Russellkonda Mill for the second quarter of the year forwarded with your Endorsement No. 160-I/25-1, dated 19th February 1925, I have the honour to observe as follows:—

1. Doubtful debts aggregating Rs. 3,954-7-5 which have been reserved for, by debiting the profit and loss account, are proposed to be written off in the accounts of the last quarter of the year if not recovered meanwhile. On such final write-off, the Chief Conservator has to decide with reference to paragraph 3 of the agreement with Messrs. Parry & Co. [printed at page 25 of G.O. No. 1911, Revenue (Special), dated 2nd November 1920] whether the loss is to be borne by Government as a *necessary* charge for the sale of its products or has to be made good by the firm. In coming to a decision on the point, reference is necessary to paragraph 15 of the agreement drafted by the Government Solicitor (at page 20 of the above Government Order) which specifically provided that 'all sales shall be at the risk of the managing agents who shall be responsible for the payment of the purchase price to Government and the Secretary of State shall not in any way be concerned with the default of the buyers or with any dispute as to the quantity or the quality of the timber.' When discussing this condition (vide page 14 in the above Government Order) Messrs. Parry & Co. had no remarks on the first portion regarding *default* of the buyers but merely wished for power be given to the Board of Control to sanction rebates in case of mistakes in or disputes about *delivery* referred to in the second portion of the clause. The suggestion of the agents on the latter has been embodied in paragraph 6

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of the final agreement and it seems therefore that the intention is to hold Messrs. Parry & Co. liable to make good losses due to insolvency of their customers.

2. *Commission payable to the agents.*—It appears from the Auditor's Report that the agents charge commission of 5 per cent on the net amount (i.e., gross invoice price less allowance or brokerage granted to the customers) of the sales actually effected. This commission is charged in the profit and loss account by credit to a reserve account, and when the sale-proceeds are actually realized, the percentage due on that portion is drawn out by the firm from the 'reserve.' The result of this procedure is that the profit and loss account gets charged with the commission on the total amount of the net sales though what may be due to the firm as a commission is only a percentage on the sale-proceeds actually received. To avoid this, it is preferable that the charge for agents' commission in the profit and loss account is limited to 5 per cent on the portion of the sale amounts actually paid in.

Order—No. 612, Development, dated 24th April 1925.

Recorded.

2. *Paragraph 1 of the Accountant-General's letter dated 27th February 1925.*—When submitting the audit report and accounts for the year ending 31st March 1925, the Chief Conservator of Forests should examine and report on the point raised by the Accountant-General, namely, whether the doubtful debts, if any, actually written off in the accounts should be borne by Government as a necessary charge for the sale of the products of the mills or should be made good by the firm.

3. *Paragraph 2 of the Accountant-General's letter.*—The Government agree with the Accountant-General that the charge for agents' commission in the profit and loss accounts should be limited to 5 per cent on the sale amounts actually paid in.

(By order of the Governor in Council)

G. T. H. BRACKEN,
Secretary to Government.

To the Chief Conservator of Forests.

- „ the Accountant-General.
- „ the Finance Department.
- „ Messrs. Fraser & Ross.
- „ the Auditor-General (with C.L.).
- „ the Secretary to the Legislative Council (for placing the Government Order on the Council table).